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Monday
1/16/56

MEMORANDUM FOR THE RECORD

25X1 REFERENCE: (a) [] with attachments thereto

(b) Memorandum from Deputy Comptroller to Office of Logistics, Attn: Chief, Depot Stock Control Section, Supply Division, dated 13 October 1955; subject: Property Transfer to Commo Field Supply Depots - Exception to Requirements for Property Authorization Certification.

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1. In connection with the proposal contained in reference (a) to abolish machine accounting procedures in the [] area, with subsequent decentralization on a base level of the existing financial accounting procedures, it is felt that at this time consideration should be given to modification of the current financial property accounting procedures on a world-wide basis.

2. In order to eliminate a great portion of the current workload created by the existing integrated supply-finance system of controlling property transactions, to facilitate the processing of supply documents, and in consideration that adequate financial procedures for property accountability must be maintained, it is further proposed to:

a. Eliminate the use of the In-Transit Account to and between overseas using and re-supply activities, utilizing in its place a system of charging issues direct to individual base inventory accounts.

b. Clarify and define those property acquisitions to be excluded as line item stock transactions under the current financial property accounting procedures.

c. Modify detached station supply concepts to eliminate simultaneous charges to cost and property in-use, substituting therefor charges to individual base inventory accounts where accountability will be vested in respective base concerned.

3. The proposal detailed in paragraph 2a above to utilize direct charges to base inventory stock accounts in lieu of the current In-Transit system would provide flexibility in processing shipments to and between overseas activities wherein it is necessary to use wash type transactions for those items which by their characteristics and immediate end use are not likely to become standardized in the supply system. Under the In-Transit accounting procedures, all items issued either from stock or purchased for direct shipment are to be processed without cost charge utilizing an 8-3 transaction code to provide the necessary debit to the In-Transit account while simultaneously effecting a credit to General Ledger Account 170 (Property On-Hand). Under the present system, the use of stock numbers

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is mandatory, thereby necessitating the use of either wash transaction numbers or general category type numbers that can only be used on a one-time basis with respect to those purchases for miscellaneous groups of spare parts or other items that are not standard within the system. It is understood that the In-Transit Account was intended to represent control over that property issued to and between using and re-supply activities for that period of time between actual issue and physical receipt; however, considering that the In-Transit Account has not been maintained on a current basis since inception due to the various interpretations placed upon transactions between supply and receiving activities, and the lag time required for subsequent adjustments and acknowledgements of receipts, it is not considered to be an effective method of maintaining the control desired.

4. It may be noted that with respect to transactions between this Headquarters and field activities under the financial property accounting procedures, the receiving activities may take advantage of considerable lee-way as to receipt of shipments short, over or damaged, as all adjustments are made at the Headquarters level upon receipt of information from the receiving activities indicating discrepancies.

5. Headquarters use of wash type transactions tends to result in duplications of cost, as such transactions must necessarily be processed on a Not In-Transit basis to the requisitioning activities together with the request that 7-1 and 8-1 transactions be used to effect immediate expenditure. In lieu of the normal 8-3 transaction used to reflect such materiel as In-Transit, a 6-1 transaction is used, thereby charging cost to the receiving activity at the Headquarters level. In the event the receiving activity makes further issue of the materiel to a project, such project is costed at the station level, thereby resulting in duplication of the cost previously charged for the items at Headquarters. In addition, there are numerous requests placed upon the Supply Division for delivery of materiel to various Headquarters components, the cost of which is charged at the time of delivery whether the items are procured or furnished from stock. Subsequent requests by these components for delivery of this materiel to the field are vouchered for record purposes only and the applicable shipping documents stamped "Not In-Transit." This has in several instances caused confusion by receiving activities in the field picking up such shipments on an In-Transit basis.

6. Utilizing the system of charging all issues, whether from stock or purchased for direct shipment to individual base inventory stock accounts, stock coding symbols for each station could be established and utilized to identify all transactions as property transfers of stock to field inventory accounts, regardless of whether the activities concerned were accountable in the sense of being using activities or depot type installations. Materiel so issued to and between supplying activities could then be costed and property authorization charged at the time of issue to projects or actual use. It may be noted here that basically this identical system is being utilized for the Commo depot installations indicated in reference (b) and for the Commo station.

7. For all practical purposes, property so issued to and between supplying activities would be considered as on the books of the consignee activity upon completion of processing the applicable requisitions. Activities receiving supplies would necessarily acknowledge receipt and pick up on their accounts the exact quantities of materiel as invoiced to them. Overages, shortages and discrepancies due to damage could be reported

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or picked up based on reports made by impartial and formal Boards of Survey. If the need so indicates, copies of these reports could be returned to the consignor activities for subsequent adjustment to their stock accounts. It would be necessary to devise a discrepancy form providing columns for overages, shortages and other discrepancies to be utilized by these informal Boards of Survey.

8. With specific reference to paragraph 2b above, it is realized that any tangible items procured or requested by requisition would be considered in the broad sense as personal property. However, it is apparent that Finance and Supply Officers in the field are burdened with accounting for items purchased or requisitioned for local station maintenance by line items as well as by dollar value. It is felt that a determination should be made as to what assets should be treated as property, as such, for stock control purposes in connection with financial property accounting procedures. Paragraph 4 (5) of Tab A to reference (a) indicates some confusion on the part of field activities relative to the property subject to financial control. It is not economically feasible to list by line item for purposes of financial control those petty cash type purchases for firewood, food, a piece of pipe, pane of glass, or any of hundreds of similar purchases concerning items that involve expenditures of relatively minute sums. Such property procured or requested, if for immediate use for station maintenance, (not procured or requested in large quantities for stock), should not be treated as property for financial property accounting procedures. Miscellaneous spare part items such as small quantities purchased for immediate repair of typewriters, reproduction machines, pumps and the like should be included in the foregoing category. Major stocks of spare parts for vehicles, aircraft, and vessels should be included as regular stock items. The dollar values expended when procuring miscellaneous spare parts or maintenance items should be reported in lump sum and substantiated by receipts or similar vouchers. However, lump sum reporting for such items would be made by total dollar value on appropriate reporting schedules rather than by individual line items and prices. (The question of what is to be considered personal property for financial accounting procedures is one involving the intent behind the acquisition rather than whether or not the items purchased are tangible.) Miscellaneous spare parts and other items requisitioned or procured should then be treated as repairs and as such be applied to Object Classification 07 (Repairs and Maintenance) rather than Object Classification 08.

9. The proposal to modify the Detached Station Supply Procedures as they now exist to eliminate the dual charging of issues to cost and to property in-use, substituting therefor the charging of issues to an account of property inventory that would be established for each Base will go far to simplify the present workload found at such installations. The system as envisioned would require a sufficient degree of flexibility to permit variation of the extent of record keeping that would be required at the various bases. Small installations with few people and a small amount of property would not be required to keep the extensive records that would be required of a base with a sizeable T/O and a relatively large amount of property.

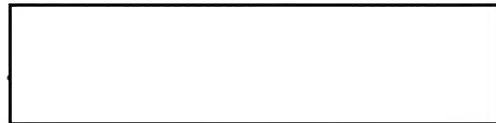
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10. The major change that will be required is the establishment of the present Detached Stations as accountable installations in their own right. The basic difference between such activities and re-supply installations is in the type of activity and reporting. The present detached stations and certain selected activities that are now regarded as accountable would be regarded as purely operational activities. They would be regarded in the same light as military organizations such as ships, squadrons or battalions. They would retain accountability for their own equipment, but would not report this materiel on stock status reports. The document of accountability would be a document known as an Equipment Authorization List which would be initiated at the station or in Headquarters as may be desirable in each particular case. This document would record all of the non-expendable materiel required by the installation in the accomplishment of its assigned mission. The document would not be common for the various installations, inasmuch as the requirements must be tailor-made for the respective installation mission. Issues from Headquarters would be reflected as issues to this master account which is in effect a property inventory account. Property issued from the inventory account to a project could be reflected as a cost to such project at the time of issue. The master document which would be reflected on an IBM listing could be reconciled between Headquarters and the field installation on an annual basis, with interim corrections being made in the field as acquisitions or approved disposals are accomplished. It is not contemplated that these installations would have any procurement or disposal power in excess of that already granted, and would not assume the powers and prerogatives currently vested in accountable re-supply installations. The basic changes that will be accomplished in this proposal are to eliminate Headquarters accountability for detached stations, transferring same to the installation involved; correct the present program of double charging; permit simplification of supply recording dependent upon the size of the activity concerned; and place responsibility for supply activity and discipline on the Chief of Base where it belongs.

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